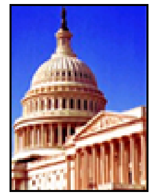
CONGRESSIONAL PROGRESSIVE CAUCUS CHAIRMAN
Dennis Kucinich
Rep. Barbara Lee, Vice Chair http://progressive.house.gov
Officers: Sen. Paul Wellstone, Rep. Cynthia McKinney, Rep. Bernie Sanders, Rep. Major Owens



NEWS UPDATE - March 5, 2001

NEWS ALERT

The Center for Budget and Policy Priorities will be releasing a state-by-state report on the effects of the Bush tax plan tomorrow. That report is located at http://www.cbpp.org/3-6-01tax-pr.htm

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Quote of the Day…

"These Ken and Barbie doll candidates, they comb their hair just right. They wear their suits just right. They eat at the right restaurants. Hey, they leave me cold. That's what's wrong with our party. They walk their narrow paths, and they don't say too much, and they don't commit too much."

- *Progressive Caucus Rep. Maxine Waters on whether Democrats should nominate another "centrist" DLCer for President in 2004 (Roll Call, 3/5)*

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SUMMARIES

1. AND THE HITS JUST KEEP ON COMIN' (news)
The Washington Post reports on GOP Senators' plans to employ a little-used legislative weapon to terminate workplace protections for more than 100 million workers.
http://www.washingtonpost.com/wp-dyn/articles/A15898-2001Mar2.html

2. BUSH CONTINUES ASSAULT ON WORKERS (news)
The New York Times reports that with the backing of Corporate America, "President Bush reacted favorably to the proposal to overturn the rules" on ergonomics that protect workers at "more than six million sites" across the country.
http://www.nytimes.com/2001/03/03/politics/03WORK.html

3. IMPORTING WORKERS TO KEEP WAGES DOWN (editorial)
Ruben Navarrette, Jr. of the Dallas Morning News writes that GOP and corporate leaders are again talking about providing Mexican workers with guest passes – but not citizenship rights - to work in the United States, so as to import "cheap and exploitable workers" as a "way to circumvent the higher wages of a tight labor" at home. As he writes, the policy shows "that even some of the worst ideas never die" and "also shows the appeal -- at least to some influential political donors -- of using government as the ultimate temp agency."
http://washingtonpost.com/wp-dyn/articles/A16759-2001Mar2.html

4. NPR: PROGRESSIVE CAUCUS LEADING WAY IN FIGHT AGAINST BUSH TAX PLAN (news)
National Public Radio reports on how members of the Progressive Caucus are leading the way in pointing out that Bush's tax plan unfairly benefits the wealthiest Americans. Featured in the story are Progressive Caucus Chairman Dennis Kucinich, and Progressive Caucus Members Senator Paul Wellstone and Rep. George Miller.
http://www.npr.org/ramfiles/atc/20010228.atc.03.ram

5. THEY ADMIT THEIR TRICKLE-DOWN WAYS (news)
The Washington Post reports that "President Bush, under pressure from Democrats to disclose how much of his tax cut would go to the wealthiest 1 percent of Americans, released a partial calculation yesterday showing top earners would get 22 percent of the total dollar value of the tax cut." Currently, various policy groups dispute Bush's assertion, with analysis proving that the wealthiest 1% would actually gain more than 43%. For his part, Bush has not allowed the Treasury Department to issue official detailed distribution tables. Wonder why?
http://www.washingtonpost.com/wp-dyn/articles/A16313-2001Mar2.html

6. BUSH PUTS PRESSURE ON DEMS TO SUPPORT CORPORATE AGENDA (news)
The New York Times reports that "as a bitterly divided Congress takes up the first critical portion of President Bush's $1.6 trillion tax cut this week, the president and his aides are mounting an all-out campaign to press conservative and moderate Democrats to break with their party and support the plan." Specifically, Bush has embarked on a national tour that "traces a map of states that are home to Democratic senators up for re-election in 2002 or states where his significant margin of victory in the 2000 election could make a Democrat fearful about bucking Mr. Bush's desires."
http://www.nytimes.com/2001/03/05/politics/05TAX.html

7. PROGRESSIVE CAUCUS HELPS SHIFT TAX DEBATE TO QUESTION OF FAIRNESS (news)
Mort Kondracke reports in Roll Call that the tax debate is now focusing on the question of what is a fair cut, and that, in responding to the House Progressive Caucus' initial tax plan, the New Democrats have actually proposed a plan that rivals it in terms of providing benefits to those who need it most.
http://www.rollcall.com/pages/columns/kondracke/

8. PROGRESSIVE CAUCUS VICE CHAIR RALLIES SUPPORT FOR A FAIR TAX CUT (editorial)
Progressive Caucus Vice Chair Rep. Barbara Lee (D-CA) writes that the Progressive Caucus's American People's Dividend is a more fiscally responsible and fair way to enact tax cuts. As she says, "President Bush's tax plan is 'Reaganomics' revisited. We learned during the 1980s that a huge tax cut for the wealthy, particularly combined with a significant increase in military funding, leads to growing deficits and increased economic instability. "Trickle Down Economics" did not work then and will not work now."
http://www.bhweekly.com/ring.html

9. A STRONG MESSAGE…FINALLY (editorial)
The New York Times editorial board writes that with the Democrats finally formulating a plan, they will be able to wage a fight against Bush's bully pulpit. As the article states, "once Americans understand the budget consequences of squandering the surplus on an exaggerated tax cut, they will press lawmakers to pass one that is more reasonable in size. Some continuing tough talk from Democrats, along with a willingness to negotiate with key Republicans in the Senate, is the best strategy for heading off the fiscal risks that Mr. Bush's tax cut would create."
http://www.nytimes.com/2001/03/04/opinion/04SUN1.html

10. PUTTING CREDIT CARD COMPANIES OVER PEOPLE (news)
Public Campaign releases a report detailing the multi-million dollar – and bipartisan - effort by credit card companies and large banks to ram through legislation weakening bankruptcy protection laws. As the report states, “Consider that rare is the Member of Congress whose campaign coffers do not contain political contributions from credit card companies, which are among the most generous political donors. Commercial banks, finance and credit companies gave out $37.7 million to federal candidates and parties in 2000, 61 percent to Republicans, up from $21.3 million in 1998. Meanwhile, MBNA America Bank, the nation’s largest credit card issuer, was the top donor to President George W. Bush’s campaign, bundling him $240,700 in hard money.”
http://www.publiccampaign.org

11. IF YOU BELIEVE THIS, YOU MIGHT ALSO BELIEVE BUSH ISN’T IN THE POCKET OF THE ENERGY INDUSTRY (news)
The New York Times reports that “in the forensic pursuit of what caused California's power failure, the Bush administration, the energy industry and many analysts have granted immunity to deregulation.” As the article notes, those making the most off of high power prices are busy trying to claim that the ongoing crisis has nothing to do with deregulation.
http://www.nytimes.com/2001/03/04/business/04VIEW.html

12. D.C.’S REVOLVING DOOR BETWEEN MONEY AND POLITICS GOES GLOBAL (news)
The New York Times reports on how the “Carlyle Group, a $12 billion private equity firm based in Washington has parlayed a roster of former top-level government officials, largely from the Bush and Reagan administrations, into a moneymaking machine.” Using fomer President George Bush and former Secretary of State James Baker to grease the wheels with the current Administration and with foreign nationals, “Carlyle has gone from an unknown in the world of private equity to one of its biggest players” growing “to span three continents and include investments in most corners of the world.” More specifically, the company now “ownes so many companies that it is now in effect one of the nation's biggest defense contractors and a force in global telecommunications” with its blue-chip investors including major banks and insurance companies, billion-dollar pension funds and wealthy investors from Abu Dhabi to Singapore.” While the government-business revolving door is familiar “it is being played out for more dollars, on a global stage, and in the world of private finance, where the minimal government rules prohibiting lobbying by former officials for a given period are not a factor.”
http://www.nytimes.com/2001/03/05/politics/05CARL.html

13. NO CONFLICT OF INTEREST? YEAH, RIGHT. (news)
The Wall Street Journal reports that “Treasury Secretary Paul O'Neill, former chairman of Alcoa Inc., is retaining almost $100 million in Alcoa stock and options, downplaying concerns that he will face conflicts of interest” in overseeing tax and fiscal policy that affects the flow of trillions of dollars each year.
http://interactive.wsj.com/articles/SB983747008992985217.htm

14. G.E.: LET’S NOT BRING THOSE THINGS TO LIGHT (news)
The New York Times reports on how General Electric is trying to use a multimillion dollar feel-good ad campaign to paper over the fact that it is “waging a vehement, line-in-the- sand battle against dredging the Hudson River to remove the PCB's that its factories leaked or dumped into the water in the decades after World War II.” The company dumped “an estimated 1.3 million pounds of PCB's, oily chemicals that were later linked to cancer in humans and various problems in wildlife, leaked or were discharged into the river.” Nonetheless, “the company has poured tens of millions of dollars into a campaign of television infomercials, billboards and lobbying over the last year” to fight efforts to make the company clean up the river.
http://www.nytimes.com/2001/03/04/nyregion/04GENE.html

15. WAS THIS REALLY WORTH THE MONEY? (news)
The Washington Post reports on how multimillion dollar weapons systems proved once again inaccurate in the latest strike on Iraq.
http://washingtonpost.com/ac2/wp-dyn/A46524-2001Feb23

16. THE TRUE COLORS ARE FINALLY COMING OUT (news)
The New York Times reports that the reason so many conservatives are happy is “because, both sides believe, Mr. Bush's neo-Clintonian formulations mask a major shift in the vision of government and a new stage in a philosophic debate that has raged across two generations. Mr. Bush's proposed $1.6 trillion tax cut, combined with his leaner budget and his proposals to remake Social Security and Medicare, could begin to turn the battleship of the federal government in a direction conservative Republicans have wanted for a long time.”
http://www.nytimes.com/2001/03/04/weekinreview/04TONE.html

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FULL STORIES

GOP PLANS ATTACK ON WORKPLACE RULE

http://www.washingtonpost.com/wp-dyn/articles/A15898-2001Mar2.html

Washington Post

Senate Republican leaders are planning to use a little-known legislative weapon next week to try to kill the Clinton administration's regulation to prevent injuries on the job, the most sweeping and costly workplace change government has ever ordered.

Business groups have long opposed the ergonomics rule, which was first suggested when Elizabeth Dole was secretary of labor in 1990, because of its scope and compliance costs. They already have filed suit to block it, but corporate lobbyists say a special congressional resolution would be faster and the outcome more certain.

Issued in November and scheduled to take effect Oct. 14, the ergonomics regulation would cover about 100 million workers in 6 million workplaces. Estimates of its cost range from $4.5 billion to $100 billion annually. It would pay workers disabled by their injuries, in some cases more and longer than under state workers' compensation laws. It also would require employers to redesign jobs that involve typing, lifting and other types of work if employees report problems.

Four GOP senators, led by Assistant Majority Leader Don Nickles (R-Okla.), introduced a "resolution of disapproval" late Thursday under the Congressional Review Act. If the resolution is approved by a simple majority in each house and is signed by President Bush, the ergonomics rule will be rescinded.

The vote, the first time Congress has taken on a regulation published in the final months of the Clinton administration, could come as early as Tuesday. Under the law, no amendments are allowed and debate is limited to 10 hours in the Senate, though Democrats may try to filibuster the motion to take up the resolution.

Leadership aides in both parties said yesterday the prospects for rejecting the rule are good, even with the Senate split 50-50 along party lines.

Labor unions have passionately supported the ergonomics rule as the way to address the 600,000 repetitive stress injuries, such as carpal tunnel syndrome, tendinitis and back pain, that result in lost work every year.

The unions and their Democratic allies are lobbying furiously to defeat the GOP effort. The AFL-CIO launched a campaign called "Hands Off the Ergo Standard" this week. Union members picketed a National Association of Manufacturers meeting on Wednesday where Vice President Cheney spoke; they also introduced injured workers at a press briefing yesterday. "This is the number one job safety issue in America," said Lynn Rhinehart, the AFL-CIO's associate general counsel.

The law allowing Congress to initiate a "resolution of disapproval" was passed by the Republican-controlled Congress in 1996. It has not been used on a major rule before and isn't likely to be used again anytime soon, GOP aides said.

Bush's action on the resolution wouldsend a strong signal about the new administration's attitude toward late Clinton rules. White House spokesman Scott McClellan yesterday said, "We need to continue to protect the health and safety of workers, but there is a concern about burdensome regulations that may have a negative impact on our economy."

Sources said Bush reacted favorably in a meeting Monday with House and Senate Republicans when Nickles told him about plans to try to kill the ergonomics rule.

White House Chief of Staff Andrew Card issued a memo the first day in office telling agencies to delay the effective date of Clinton rules so new appointees could decide how they wanted to handle key regulatory issues. But some business lobbyists were shaken when the Agriculture Department recently approved a Clinton proposal to test for listeria bacteria in processed meats and the Environmental Protection Agency permitted final release of a Clinton regulation cutting the levels of sulfur in diesel fuel.

Sen. Christopher S. Bond (R-Mo.) saidin a statement that "Congress has no choice but to head off the devastating side effects of the Clinton ergo rule by dismantling it. This menacing regulation's days are numbered."

Rep. Roy Blunt (R-Mo.), a deputy whip who has been lining up House votes to eliminate the rule, said in an interview, "The ergonomics regulation is the perfect target for the first effective use of the Congressional Review Act." A spokesman for House Speaker J. Dennis Hastert (R-Ill.) said, "We're going to await Senate action before deciding how to proceed."

Sen. Edward M. Kennedy (D-Mass.) accused the Republicans of mounting a stealth attack on the regulation. "Republicans intend to sound the death knell for protections from ergonomic injuries -- the most significant safety and health problem that workers face today," he said. "No friend of America's workers could welcome such a result."

Democrats argued that a key provision of the congressional review law makes it doubtful, if not impossible, for strong ergonomics rules to be implemented in the future.

The law bars reissuing any revoked rule, or any new rule "that is substantially the same" as the old rule, unless it is specifically authorized by Congress. It's an "all or nothing proposition," Kennedy and 22 other Democrats argued Thursday in a "Dear Colleague" letter.

Nickles spokesman Brook Simmons disagreed. "All it [overturning the rule] means is not this regulation. It doesn't prevent the administration from readdressing this issue in a more workable and less intrusive regulation," he said.

Business groups have also been lobbying the issue heavily. They note that many workplaces already have ergonomic programs, and complain that there is no evidence that work alone causes the most commonly cited problems. They have had their members in Washington for face-to-face visits on the issue, and fax machines have been in overdrive, sending "alerts" to members on the importance of killing the rule.

"It's like rolling thunder," said Randy Johnson, vice president for labor and employee benefits at the U.S. Chamber of Commerce, of his group's lobbying effort.

SENATE G.O.P. MOVING TO NULLIFY CLINTON RULES ON WORKER INJURIES

New York Times
http://www.nytimes.com/2001/03/03/politics/03WORK.html

WASHINGTON, March 2 — Using an untested legislative weapon, Senate Republicans plan next week to try to repeal a far-reaching set of rules on workplace injuries that have been fiercely opposed by business groups.

Senate Republicans say they have the votes to kill the regulations, which were issued by President Bill Clinton three months ago and require businesses to provide conditions in factories and offices that protect workers from repetitive strain injuries. The House is expected to take up the measure soon after.

President Bush reacted favorably to the proposal to overturn the rules at a meeting with Congressional Republican leaders last Tuesday, aides said.

The rules were intended to protect those like secretaries, seamstresses and slaughterhouse workers from a variety of injuries, including tendonitis, slipped disks and carpal tunnel syndrome.

If the Senate and House reverse the regulations, which cover 102 million workers at six million sites, Republicans would hand business groups a major victory on an issue they have battled for a decade. The legislative move also comes at a time when President Bush is trying to quell an effort by business groups to bog down his tax proposal with corporate tax breaks.

Business groups estimate that the rules would cost anywhere from $18 billion to $120 billion to implement, figures that are disputed by the Occupational Safety and Health Administration. The agency, which is part of the Department of Labor, said the rules would cost $4.5 billion to put into effect, and Clinton administration officials said that the rules would save employers money with gains in productivity.

Business leaders also describe the regulations as onerous and overly broad, adding that the rules would drive up costs for all businesses and push some into bankruptcy.

Anticipating next week's face-off, business groups like the United States Chamber of Commerce and labor groups like the A.F.L.-C.I.O. have sent out legislative alerts urging their members to flood Congress with letters, e-mail messages and telephone calls. The battle is likely to intensify in the coming days.

Business groups stepped up their campaign to kill the regulations, which took effect on Jan. 16, before President Bush took office.

"We have been doing labor issues for over 15 years, and this is probably the most important to the business community," said Randy Johnson, vice president for labor policy at the Chamber of Commerce. "It would cost businesses so much to comply and it would be money down the drain."

Organized labor fought hard for the rules, which labor leaders call the most important job safety rules adopted since the Occupational Safety and Health Act was enacted three decades ago.

"What's happening is stunning," said Peg Seminario, the A.F.L.- C.I.O's director for health and safety. "This rule is 10 years in the making, with 10 weeks of public hearings on it, and now they want to wipe it out with not even one hearing and less than 10 hours of debate. That's about as undemocratic a process as you can get."

While conceding that they face an uphill battle, Democratic lawmakers and union leaders said they hoped to stop Republican efforts. The votes in both the Senate and the House are expected to be very close.

Republicans say defeating the bill would be more difficult than usual. That is because Senator Don Nickles of Oklahoma, the Republican whip, plans to use the Congressional Review Act, which he co-sponsored and which was signed into law in 1996.

The act gives Congress 60 days to reject final regulations issued by federal agencies. If the resolution is signed by the president, it would prevent the regulations from being reissued in "substantially the same form."

To invoke the act, Senator Nickles expects to offer a joint resolution of disapproval, which can be debated for 10 hours. But the resolution cannot be filibustered — the Democrats' chief weapon in blocking legislation — and requires 51 votes to pass.

Senator Nickles is moving the process along even more swiftly by getting 30 senators to sign a petition that bypasses the committee process.

Because the act has never been used before in Congress, Democrats and Republicans alike are headed into uncharted waters. Even the term "substantially the same form," which is the linchpin for blocking the rules, is open to conjecture, although Democrats say it would chill all future rulemaking by the Occupational Safety and Health Administration and other agencies.

Both the House and Senate passed a measure that would have blocked the rules last year.

"Republicans intend to sound the death knell for protections from ergonomic injuries — the most significant safety and health problem that workers face today," said Senator Edward M. Kennedy of Massachusetts, the ranking Democrat on the Committee on Health, Education, Labor and Pensions.

Mr. Clinton adopted the rules even though Congress was calling for further study to determine whether there was adequate scientific basis for ergonomics rules to reduce the 1.8 million injuries reported each year. Elizabeth Dole, who was labor secretary under former President George Bush, set procedures in motion in 1990 to establish these rules.

Republicans also hope to send a warning shot next week with their use of the Congressional Review Act to overturn the rules. Just before leaving office in January, President Clinton issued a long list of regulations, many of which infuriated Republicans who saw it as a clear effort to circumvent Congress.

"It's not only very important that this rule be rescinded, but it's also important that Congress begin to assert itself in these areas," said Representative Roy D. Blunt, the Missouri Republican who is chief deputy whip. "We've avoided too many regulations by acting helpless in the face of regulators."

To combat Republican efforts to reverse the rules, the A.F.L.-C.I.O. held a news conference here today that featured several workers who suffer from ergonomics injuries.

But business groups are rallying their own members, who say they are more dedicated than ever to getting the rules reversed now that there is a Republican in the White House. "I think it's going to be a huge fight," said Ed Gilroy of the National Coalition of Ergonomics, an association of 300 business groups.

WHEN WORKERS COME FROM MEXICO

Dallas Morning News
By Ruben Navarrette, Jr.
http://washingtonpost.com/wp-dyn/articles/A16759-2001Mar2.html

DALLAS -- I don't often find myself applauding the Congressional Hispanic Caucus for its courage.

Most of the time, the caucus -- which unites under one banner 18 of the 21 Hispanics in the U.S. House of Representatives -- is an example of wasted opportunity, its well-paid members drifting away from the day-to-day concerns of poor and working-class Hispanics who live in their home districts. The rap is that congressional Hispanics are too in awe of their station in life to engage in any act of leadership daring enough to jeopardize it.

But that wasn't the case last week. That's when members of the caucus, in Mexico City for two days of private meetings with Mexican President Vicente Fox and counterparts in the Mexican Congress, drew a line in the sand over plans to bring back the bracero program of imported workers.

The fact that leaders on both sides of the border are again talking about bringing guest workers from Mexico into the United States proves that even some of the worst ideas never die. It also shows the appeal -- at least to some influential political donors -- of using government as the ultimate temp agency. American farmers realized that in 1942, seizing the opportunity of a World War II labor shortage to pressure Congress to pass a "temporary" guest worker plan that, over the next 22 years, brought in millions of cheap and exploitable Mexican workers. Now, U.S. employers looking for a way to circumvent the higher wages of a tight labor market are again looking across the border.

That is one reason why Mexican President Fox finds himself hosting a stream of American visitors these days. A few months ago, Sen. Phil Gramm (R-Tex.) traveled to Mexico to share his intention to propose new legislation for guest workers. An optimistic Gramm emerged from a meeting with Fox saying he could envision the two countries brokering a new deal by the end of this year. The issue came up again during President Bush's visit to Fox's ranch last month. Afterward, the Mexican president predicted that ready and able guest workers could all but pack their bags -- assuming that proponents could surmount one obstacle.

Fox has figured out what could turn out to be the deal-breaker in Congress. It is the fear by some that "guests" who come here to work could end up sticking around, buying homes and joining the PTA. Fox offered assurances to American leaders that it was not absolutely necessary to work a deal that included provisions allowing imported laborers the option of staying.

Fox has keen insights into Mexican immigrants, many of whom come to the United States not so much for a fresh start but for better wages. But he also understands those American politicians who are reluctant to vote to import Mexican immigrants in the face of constituent complaints that there already are too many of them here, many illegally.

Taking off the table the possibility of a long stay by the Mexicans appears to suit Gramm and Bush just fine. Already pelted by anti-immigrant forces for even suggesting guest workers, Gramm is offering assurances that he is interested only in recruiting new laborers, not in swearing in new citizens.

But members of the Congressional Hispanic Caucus are refusing to jump on this new bracero bandwagon. While expressing tentative support for the idea of allowing more Mexican laborers to work in the United States legally, caucus members say they will likely oppose any plan that doesn't give those workers a shot at citizenship or permanent residency.

While Gramm is content to import laborers, put them to work and then send them home, his Hispanic colleagues in Congress are asking that the United States make a more substantial commitment.

Bravo. That stance is especially courageous since the idea of guest workers seems to be gaining support among some of the caucus's own Hispanic constituents. Like those who believe that legalizing drugs or prostitution will clean up such activities, there are those who say that luring Mexican immigrants out of the shadows in an organized way will somehow make it less likely that they will be exploited by employers. Only two things say they are wrong: history and human nature.

BATTLE LINES BEING DRAWN OVER PRESIDENT BUSH'S TAX CUT PLAN

National Public Radio
http://www.npr.org/ramfiles/atc/20010228.atc.03.ram

The Bush administration delivered a 207-page outline of the president's budget to Capitol Hill today. It provides far more detail than Mr. Bush's address last night. The president's plan for a 10-year, $ 1.6 trillion tax cut dominated discussions among lawmakers today. And some predict a bitter battle ahead. NPR's David Welna reports.

DAVID WELNA: Most Republican lawmakers closed ranks today behind the president's proposed tax cut. Senator Pete Domenici, who chairs the Senate Budget Committee, sought to address concerns that Mr. Bush's tax cut is too big by reminding Democrats the tax cut proposed 40 years ago by President Kennedy was twice as big in proportion to the US economy.

Senator PETE DOMENICI (Republican): The Democrats are agreeing that we ought to have a tax cut, but they want to target it to certain people. And we're saying, 'What's the best for the American economy?' And we believe that is exactly what John Kennedy recommended in his day, and that is an across-the-board tax cut so that the American economy could continue to grow and prosper.

WELNA: But Democrats insist one of the biggest flaws in Mr. Bush's tax cut is in the distribution of its benefits. Ohio Congressman Dennis Kucinich says more than 40 percent of the plan's benefits go to the wealthiest 1 percent of the population.

Representative DENNIS KUCINICH (Democrat, Ohio): That should be a great cause for concern for all Americans because unless the principle of equity becomes part of the philosophy of a tax cut, all you have is a tax cut being used as an excuse to redistribute the wealth of this country upward.

WELNA: And Democratic Senator Paul Wellstone of Minnesota says the president's tax cut contains nothing for many of the most vulnerable members of the society.

Senator PAUL WELLSTONE (Democrat, Minnesota): One-third of all the children in the country live in families that won't receive a dime from the tax cuts. Fifty percent of African-American children live in families that won't receive a dime. Fifty-six, 57 percent of Latino, Latina children live in families that won't receive a dime because none of these tax cuts are refundable.

WELNA: But one leading House Republican, Congressman J.C. Watts of Oklahoma, says this is a tax cut that's not aimed so much at redistributing wealth as it is refunding an overpayment.

Representative J.C. WATTS (Republican, Oklahoma): Most people would agree that it's fair to give the people that created the surpluses that we're fighting over some of their money back. The people that created the surplus should be able to have some benefits from the surplus.

WELNA: Apparently anticipating resistance to his budget plan, President Bush last month mounted what many called a charm offensive. Congressman George Miller, a California Democrat who's a key player in education legislation, was among those invited to the White House.

Representative GEORGE MILLER (Democrat, California): We got to know one another. And I think that's a very important part of the process. But we're all adults here. And the issue really is what was presented last night and today in the budget. That's where the rubber hits the road for this president. And either the rhetoric and the resources match or they don't. And right now, in education, they don't match. And I expect that the culprit here is the tax cut.

WELNA: Miller plans to push for more money in the budget for education. But a Republican colleague, Mark Foley of Florida, warned on the House floor today against loosening the purse strings.

Congressman MARK FOLEY (Republican, Florida): Folks, get with it. And get real. It will not happen. Once there's an excess of money left on the table, there's a program in every member's district that deserves that surplus. And we will argue and we will debate and we will spend. So let's join together, support the president's initiative, give the taxpayers some real relief.

WELNA: Senate Minority Leader Tom Daschle doubts, though, that Americans are that eager for a tax cut.

Senator TOM DASCHLE (Democrat, South Dakota; Senate Minority Leader): What the polling data suggests is that the American people believe the Democrats are right, that what we're suggesting is right, that we pay down the debt, that we protect Social Security and Medicare, that we commit to investments in education and prescription drugs.

WELNA: Still, Republicans plan to charge ahead. They hope to get a bill on the floor of the House next week that would cut income tax rates across the board. David Welna, NPR News, the Capitol.

RICHEST 1% WILL GET 22% OF CUT, BUSH SAYS

Washington Post
http://www.washingtonpost.com/wp-dyn/articles/A16313-2001Mar2.html

President Bush, under pressure from Democrats to disclose how much of his tax cut would go to the wealthiest 1 percent of Americans, released a partial calculation yesterday showing top earners would get 22 percent of the total dollar value of the tax cut.

That is lower than the estimate of 43 percent cited by Democratic congressional leaders, who have used the statistic to bolster their argument that Bush's tax cut is skewed toward the wealthy.

Bush's chart shows that 51 percent of the tax relief would go to those making $100,000 or more.

The administration, looking at the impact another way, said those making $30,000 to $50,000 would enjoy a 19 percent reduction in the amount of federal income taxes they pay, while those making $50,000 to $75,000 would see a 15 percent reduction. The White House says 6 million low-income families would have their federal income tax bill wiped out.

Bush, speaking to the National Conference of State Legislators, said his plan is "well-thought-out and well-designed" and "will help give the economy a second wind."

The president said he would resist some lawmakers' desire to include "triggers" that would delay implementation of future phases of the tax cut -- or even roll it back -- if expected surpluses dried up and a deficit loomed.

"A reason the surplus may not materialize is because Congress has overspent," Bush said, to applause. "So it seems like to me we need to be careful about any trigger mechanism." Bush suggested triggers "on spending, to make sure that we don't overspend surpluses."

The administration table, titled "Income Tax Burden by Income for Calendar Year 2005," said the top 1 percent would receive 22.3 percent of Bush's cut.

The estimate excludes the effect of the repeal of the estate tax, which is part of Bush's plan and disproportionately benefits the wealthiest. The estimate also does not include rate cuts that would take place in 2006, which also would disproportionately benefit top earners.

The White House document is based on an October study that was prepared by the Joint Committee on Taxation after a request from the Bush campaign. The figures were released yesterday as "White House calculations."

Robert Greenstein, director of the Center on Budget and Policy Priorities, said it is unusual for a White House to issue a tax distribution chart that is not based on Treasury Department calculations. "Treasury has an official methodology developed over the years by the career staff," he said. "I may be wrong, but I suspect they don't like what it will show."

In his address to legislators, Bush acknowledged that some will question the dropping of the top tax rate. But he said that would "create an environment in which the entrepreneurial spirit can continue to move in America" and allow small businesses to expand.

"One of the things that distinguishes our great land is people can own their own business, or own their own home," Bush said. "The idea of encouraging the entrepreneurial experience to flourish, particularly in the small business sector, is what I think good public policy is all about."

Bush also pointed to the benefits for a single mother "in the low $20,000 salary range." "Access to the middle class is a fundamental part of the American experience," Bush said.

Also yesterday, Bush held swearing-in ceremonies for three Cabinet members.

The vocabulary gremlins got to him during the ceremony for Agriculture Secretary Ann M. Veneman. The president said, "Ann and I will carry out this equivocal message to the world: Markets must be open."

BUSH PUSHES HARD TO WOO DEMOCRATS OVER TO TAX PLAN

New York Times
http://www.nytimes.com/2001/03/05/politics/05TAX.html

WASHINGTON, March 4 — As a bitterly divided Congress takes up the first critical portion of President Bush's $1.6 trillion tax cut this week, the president and his aides are mounting an all-out campaign to press conservative and moderate Democrats to break with their party and support the plan.

Mr. Bush, determined to win the centerpiece of his agenda and the defining struggle of his young presidency, has gone on the road to sell his tax cut. He has turned almost every trip into a none-too-subtle lobbying expedition with one or more undecided or politically vulnerable lawmakers in mind. He is looking beyond the vote scheduled for Thursday in the House to the Senate, where all sides know the real battle will occur.

Mr. Bush's movements trace a map of states that are home to Democratic senators up for re-election in 2002 or states where his significant margin of victory in the 2000 election could make a Democrat fearful about bucking Mr. Bush's desires.

This week that includes South Dakota and Louisiana; last week it meant Nebraska and Arkansas. There is no mistaking what Mr. Bush is doing, trying to prove to the lawmakers in his cross hairs that their constituents want the tax cut.

"If you find a member that you have some influence with, or know an e-mail address, or can figure out where to write a letter, and find out somebody isn't listening to you to do what's right for the country, just drop them a line," Mr. Bush told a roaring audience in Atlanta last week. Georgia happens to be the home of Senator Max Cleland, a Democrat up for re-election in 2002.

In South Dakota, where Senator Tim Johnson, a Democrat, is up for re-election next year, Vice President Dick Cheney was on a talk radio program last week urging "discerning Democrats" to back the tax cut.

To make Mr. Bush's tax cut look unstoppable and give it a lift going into the Senate, Republicans plan a vote in the House on Thursday on the most ambitious and contentious part of the tax package: an across-the-board reduction in rates that accounts for nearly $1 trillion of Mr. Bush's 10-year, $1.6 trillion tax cut.

The speed with which the Republicans are trying to ram through the rate reductions, without any talk of compromise, has alienated conservative Democrats who might have been ready to respond to Mr. Bush's calls for bipartisan cooperation.

"We've had no input," said Representative John Tanner, a Tennessee Democrat and a member of the Blue Dogs, a conservative faction.

"It’s hard for the Blue Dogs to reconcile his rhetoric with his actions."

Some of the administration's allies wonder whether these tactics in the House — where there are enough Republicans to assure victory — will backfire, resulting in a near party-line vote that could make Senate Democrats more likely to hold ranks.

In the Senate — split 50-50 between the parties — the arithmetic is trickier for Mr. Bush. Some moderate Republicans have come out against the size of the tax cut.

"The game plan is to absolutely fast track this thing before the opposition can fully mobilize," one business lobbyist working closely with the administration said. "That almost requires doing it on partisan basis because you don't have time to bring the other guys into the process and go through the Kabuki dance."

"On the other hand," this lobbyist said, "it is in the ultimate interest for the success of the package to have Democrats."

Senator John B. Breaux, Democrat of Louisiana, whose state Mr. Bush will visit this week and whose support Mr. Bush wants, called his approach in the House "a serious mistake." Appearing on the CBS news program "Face the Nation," Mr. Breaux said, "That could make some real problems down the line."

A senior administration official said Mr. Bush would still be pushing to win over more House Democrats and was poised to place calls to House Democrats early this week.

But House Democratic vote counters predict that as few as 12 to 20 Democrats are likely to break ranks, and House Republicans say they, too, are not expecting to win much Democratic support.

The partisan lines have held even though the administration has been playing hardball, its efforts supplemented by the Republican National Committee and conservative allies. This weekend the United Seniors Association began the first phase of a 10-state, $2 million radio and television campaign aimed at uncertain lawmakers like moderate Senate Republicans from New England.

Before the House Ways and Means Committee voted on the rate reductions last week, the R.N.C. tried to sway Democrats on the committee through automated phone calls to their constituents. The calls carried a recorded message from Gov. James S. Gilmore III of Virginia, the new R.N.C. chairman, who asked voters to tell Democrats to support the tax plan.

None of the Democrats did. "We take phone calls from our constituents very seriously, as any member does," Representative Earl Pomeroy, a North Dakota Democrat on the committee, said. "But one can recognize a well-organized partisan campaign when one sees one."

In part, House Democrats say, they also want to give courage to Senate Democrats. "That's another reason Democrats feel compelled to really stick together," said Representative Karen L. Thurman, a Florida Democrat, who was also a target of the R.N.C.'s constituent calls. "Going into the Senate, you want them to have a strength from which to negotiate."

The Bush administration's efforts in the Senate have met a mixed reception. The administration infuriated aides to Mr. Johnson and Tom Daschle of South Dakota, the minority leader, by not telling them, in advance of news reports, that Mr. Bush would be visiting South Dakota, according to those aides.

But Senator Ben Nelson of Nebraska, a Democrat who squeaked to victory on the same that day that Mr. Bush trounced former Vice President Al Gore in that state, seemed ebullient after joining Mr. Bush aboard Air Force One for a flight to an event in Omaha last week.

Mr. Nelson used his time with the president to go over a list of federal projects that he cared about. "Nothing I want to say now — I don't want to box him in," Mr. Nelson subsequently told reporters. "He's going to go back and take a look at a few things. It's not a quid pro quo."

Senator Blanche Lincoln of Arkansas, another Democrat from a state that voted for Mr. Bush, also got a ride on Air Force One, along with the state's Republican senator, Tim Hutchinson.

Although the three talked for an hour as Mr. Bush flew from Omaha to Little Rock, taxes never came up. Ms. Lincoln said Mr. Bush gave her a chance to go through her wish list of budget items she deemed important for Arkansas.

"I've got great concerns about his tax proposal," Ms. Lincoln said in a telephone interview afterward, saying that too many poor people in her state would not benefit from it and that it would jeopardize important spending priorities. But she said that if Mr. Bush was open to compromise, "I'm a reasonable legislator."

The administration's efforts in the Senate are also designed to keep moderate Republicans from defecting, a danger that Mr. Bush does not face in the House. Senators James M. Jeffords of Vermont and Lincoln Chafee of Rhode Island have said they will oppose the tax cut as too large. And Senators Olympia J. Snowe and Susan Collins of Maine, Arlen Specter of Pennsylvania, George V. Voinovich of Ohio and

John McCain of Arizona have expressed concerns about the plan.

Some of these senators, in turn, are receiving special attention. Mr. Bush started his tax cut tour last week in Pennsylvania, and Mr. Specter was invited to fly there with him from Washington.

Two days later, Mr. Specter had lunch with Treasury Secretary Paul H. O'Neill, and Mr. Specter said that Mr. O'Neill spent a portion of that meal talking about the virtues of the tax cut.

"I'm not prepared to support a tax cut that is not tied to the surplus being maintained," Mr. Specter said. Mr. Bush opposes that.

In recent weeks, Ms. Snowe had a private meeting with Mr. Bush in the Oval Office. Ms. Collins had one aboard Air Force One.

But it will be two Democratic senators that Mr. Bush has in mind when he hits Louisiana later this week. Mr. Breaux and Mary L. Landrieu are centrists, and Ms. Landrieu is up for re-election in 2002.

None of this escapes the administration's notice, given the stakes of this fight. "This is a very important vote because he's put so much into it," said Senator Hutchinson, an ally in selling the tax cut. "He's campaigned on it and he's put a lot of his political capital on the line."

TAX FIGHT TURNS BACK TO QUESTION OF WHAT'S 'FAIR'

http://www.rollcall.com/pages/columns/kondracke/

Is President Bush's tax plan "unfair," as Democrats claim? In part it depends on what the meaning of "fair" is, but chances are that Congress will follow one definition and make it slightly less generous to the very rich.

Republicans say that Bush's tax cut is fair because it gives money back to the people who paid it. "This is their money, after all," goes the GOP mantra.

Since the wealthiest taxpayers pay the most taxes - 40 percent of all income taxes and almost all of inheritance taxes - they deserve to get the most money back in a tax cut, by GOP logic.

Democrats are doing their best to make that principle sound shocking. Responding to Bush's speech to Congress last week, House Minority Leader Richard Gephardt (D-Mo.) said, "The President's plan is deeply unfair to middle-income Americans."

"The wealthiest 1 percent, people who make an average of over $900,000 a year, get 43 percent of the President's tax cut,"he added. "The President also wants to eliminate the estate tax for the wealthiest of the wealthy."

At a White House briefing the next day, Treasury Secretary Paul O'Neill denounced Gephardt's assertion as "a nonsense set of statistics." Office of Management and Budget Director Mitch Daniels declared it was based on "50 assumptions that nobody in their right mind would accept."

The Bush administration, though, had no distribution tables of its own to offer. It merely redistributed a Bush campaign document from 1999 revealing that the share of all income taxes paid by people making more than $200,000 a year would rise from 39 percent to 41 percent under his plan.

The chart did not account for Bush's plan to eliminate inheritance taxes, however, which primarily benefits the wealthy.

According to Citizens for Tax Justice, the liberal group that came up with the maligned 43 percent estimate for Bush's plan, the top 1 percent of taxpayers would receive total breaks averaging $54,500 in 2006.

The Democrats' idea of fairness is to target tax cuts - though they don't use the word "target" anymore - to the lower middle and middle class, where the most voters are.

CTJ estimated that the largest share of the newly unveiled Democratic tax plan, 55.2 percent, would go to taxpayers with family incomes of $44,000 to $147,000. The top 1 percent of taxpayers would get 6.5 percent of the benefits.

In terms of dollars, under the Democratic plan, the actual tax cut for middle-income families would be around $600 a year (less than Bush's $1,600 because the total tax cut is smaller) and $2,600 for the top 1 percent, according to CTJ.

Under yet another definition of fairness, the ultra-liberal House Progressive Caucus has proposed giving every family a $300 tax cut, regardless of income.

Sounding an even more populist note, the centrist Democratic Leadership Council unveiled a plan that is more generous to the working poor than either the Progressive or Democratic plans, giving up to $2,100 a year to a single mother with two children who makes less than

$20,000 annually.

Former Clinton White House aide Bruce Reed, now a DLCofficial, declared that "instead of rewarding work, the Bush plan rewards privilege." The DLC plan would give couples making more than $1 million a tax break of just $1,500 a year.

"American families and American workers built the surplus,"said a DLC statement. "A tax cut should reflect their values and economic interests."

Normally one would expect the centrist DLC to recognize that capital investment also had a role in building the surplus, but since a number of its leaders are running for the 2004 Democratic presidential nomination, the group seems to be joining what Republicans denounce as "class warfare."

DLC leaders reject the insinuation. "We've always been for progressive taxation," said Will Marshall, president of the DLC's think tank, the Progressive Policy Institute.

Democrats of all stripes are particularly eager to expose one delicious hole in Bush's case, as pressed in his speech to Congress - the plight of the single mother making $25,000 who has to pay a 50 percent marginal rate on any additional money she earns.

That's true because she loses earned income tax credit benefits, but under Bush's plan she would receive not one cent more in income because, paying no income taxes, she gets no tax cut.

Both the DLC and Democratic leadership plans expand the EITC for the working poor (Republicans call this "welfare"), and the DLC plan provides an income tax credit against Social Security taxes, which is regressive.

Politically, "fairness" or "class warfare" appeals don't have as much potency as one might expect.

Still, it's probable that Congress won't give Bush a reduction in the top income tax rate from 39.6 percent to 33 percent or a total repeal of the estate tax.

That's fair. Those who pay the most taxes do deserve a break of some kind. But they also experienced the biggest income gains during the 1980s and 1990s.

THE PROGRESSIVE CAUCUS AMERICAN PEOPLE'S DIVIDEND: A TAX PLAN TO BENEFIT ALL AMERICANS

By Rep. Barbara Lee
Beverly Hills Weekly
http://www.bhweekly.com/ring.html

President Bush argues that his tax plan will stimulate the economy and benefit all Americans. Unfortunately, the savings in the first year of the tax plan are too minuscule to significantly effect the economy. Additionally, Bush's tax plan neglects the needs of middle- and low-income Americans.

The Congressional Progressive Caucus' American People's Dividend will stimulate the economy much more effectively, by giving every man, woman and child a $300 tax credit every year regardless of income, for the next 10 years, provided that the projected surpluses materialize.

Under the Bush plan, a family of four making $60,000 per year would receive an average tax cut of $380. Under the American People's Dividend, the same family would receive $300 dollars per person, amounting to $1200 - a difference of $820!

A tax-free $300 check to all taxpayers would immediately transfer roughly $90 billion to the private sector - enough to raise consumption spending by 1.3 percent. If the Bush plan were enacted today, most effects would not be felt until 2002. More importantly, first-year tax savings will only amount to $20-30 billion, and even if households spent the entire tax cut, consumer spending would increase by less than 0.5 percent.

The American People's Dividend is fiscally responsible: a built-in trigger requires that the dividend be suspended if there are no future surpluses. Conversely, if the projected surpluses continue to grow, a larger dividend would be provided to every person in the United States, but because the plan only spends 1/3 of any projected surplus, we will be able to protect Social Security and Medicare, invest more in public education and provide affordable health care and housing.

The inequality of Bush's plan is staggering. The top 1 percent of taxpayers would receive 43 percent of the total tax cut. Most Americans in the lowest 20 percent will not receive one penny in tax relief.

An estimated 12 million low-and middle-income families with children, about one third of all families, would get no relief whatsoever from the Bush tax plan. This will disproportionately affect Latino and African American children, over half of whom live in families that will get absolutely nothing from the Bush Plan. Many of these families earn too little to accrue income tax liability, but do pay many other taxes, such as payroll taxes, which the Bush plan fails to address.

President Bush's tax plan is "Reaganomics" revisited. We learned during the 1980s that a huge tax cut for the wealthy, particularly combined with a significant increase in military funding, leads to growing deficits and increased economic instability. "Trickle Down Economics" did not work then and will not work now.

The American People's Dividend will stimulate the economy, while protecting Social Security and Medicare, funding federal programs, and leaving enough money to pay off the long-term national debt. We need tax cuts that will improve the standard of living for all Americans. We need the Progressive Caucus' American People's Dividend.

COUNTERING THE BUSH TAX PLAN

New York Times
http://www.nytimes.com/2001/03/04/opinion/04SUN1.html

Democrats endured a bitter demonstration last week of what it means to control neither Congress nor the White House. On Capitol Hill and across the country, President Bush promoted his theme that "the people's money" should be refunded as tax cuts. Republican Congressional leaders meanwhile were trying to pass the tax cut first and worry later about the budget cuts to pay for it. Democrats must respond by emphasizing the tax plan's recklessness and pushing their alternatives more forcefully.

At least the Democrats finally put their own proposed tax cut on the table. It was a sensible one. Countering Mr. Bush's 10-year cut of $1.6 trillion, Representative Richard Gephardt and Senator Tom Daschle announced a $900 billion tax cut over the same period. Instead of favoring the wealthiest, they would cut tax rates only for moderate- and lower-income families, and also cut taxes for those at the bottom of the scale with a credit for Social Security and Medicare taxes, the main federal taxes these families pay. Finally, instead of repealing the estate tax and the so-called marriage penalty, Democrats would trim them more moderately.

Right now the Bush tax cut has the votes in the House but not the Senate. The real jockeying will occur in the Senate's center as moderate Democrats like John Breaux of Louisiana and Republicans like Lincoln Chafee of Rhode Island, Olympia Snowe of Maine and James Jeffords of Vermont see if they can come up with a compromise.

Democrats need to be conciliatory to these moderates but also emphasize the essentially ideological nature of Mr. Bush's proposal. The more the numbers are examined, the more it is clear that the Bush tax cut seems intended to be an assault on government by starving it of revenues, as Ronald Reagan's tax cut did in 1981. But the Reaganites were more candid about the cost of their military programs and the tough spending reductions that lay ahead. Last week, Mitchell Daniels, Mr. Bush's budget director, dismissed a question about budget cuts as "laughable," even though 10 major departments are being asked to spend less.

The two biggest programs Mr. Bush's tax cut would squeeze are, of course, Medicare and Social Security. Treasury Secretary Paul O'Neill refused to promise last week that the money being taken out of the Social Security trust fund would be used to shore up its solvency. Instead, he said the money would go to preserve something called "the Social Security concept," which sounded like a euphemism for privatization.

Democrats need to harp on the unfairness of a tax cut that would spread more than 40 percent of its benefits to the wealthiest 1 percent of Americans. Mr. O'Neill bristled at questions about this maldistribution, labeling it "a nonsense set of statistics." But in fact, it is the Treasury Department itself that has done distribution calculations of these taxes, reporting in 1999 that two-thirds of the estate tax was paid by the wealthiest 1 percent of families.

Once Americans understand the budget consequences of squandering the surplus on an exaggerated tax cut, they will press lawmakers to pass one that is more reasonable in size. Some continuing tough talk from Democrats, along with a willingness to negotiate with key Republicans in the Senate, is the best strategy for heading off the fiscal risks that Mr. Bush's tax cut would create.

PUTTING CREDIT CARD COMPANIES FIRST

Public Campaign
http://www.publiccampaign.org

With all the great issues pressing the nation —- a slowing economy, concern About the solvency of Medicare and social security, 40 million people lacking Health insurance, the rising cost of prescription drugs —- the House of Representatives
acted swiftly and decisively on Thursday to pass ... bankrutpcy reform?

For more than two years, the credit card industry has been leading the charge in the nation's capital for reform of the country's bankruptcy laws, arguing that they lose too much money from people who run up their debts irresponsibly and then declare bankrutpcy, leaving credit card companies to pick up the slack. On Thursday, March 1, the House of Representatives voted 306 to 108, including 93 Democrats, to pass H.R. 333, sponsored by Rep. George Gekas (R-PA), which will make it tougher for overextended consumers to reduce their debts, forcing many to file under a section of the bankruptcy code where they are more likely to lose their homes and cars.

But before you feel too happy about the credit card industry receiving its just due, or chalk a victory up for the credo of personal responsibility, consider the following facts. At the same time credit card companies have been lobbying hard for tougher bankruptcy laws, they have been increasing dramatically their marketing and extension of credit to consumers, while at the same time reaping record profits. Credit card companies mailed out 2.5 billion solicitations to consumers through the third quarter of 2000, and the amount of credit they extended was up by 13 percent, according to the Consumer Federation of America. Meanwhile, Bank card profits were at the highest level in five years in 2000. Furthermore, bankruptcy filings actually declined by five percent in 2000, according to recent data released by the Administrative Office of U.S. Courts.

“I'm a letter carrier. I see first-hand the incredible number of credit card solicitations mailed out to every one of my customers on my mail route,” testified Charles Trapp before the House Judiciary Committee last month. Trapp filed for bankruptcy after running up debts after his daughter, Annelise, was diagnosed with myopathy, a muscle disease that is like a rare form of muscular dystrophy. “Is it right for these lending companies to offer revolving credit to college students or families -- and this may have included my own family at a certain point —- who can ill-afford to take on additional debt?”

So why the mad bipartisan rush to pass bankruptcy reform? Consider that rare is the Member of Congress whose campaign coffers do not contain political contributions from credit card companies, which are among the most generous political donors. Commercial banks, finance and credit companies gave out $37.7 million to federal candidates and parties in 2000, 61 percent to Republicans, up from $21.3 Million in 1998. Meanwhile, MBNA America Bank, the nation's largest credit card issuer, was the top donor to President George W. Bush's campaign, bundling him $240,700 in hard money. MBNA CEO Charles Cawley is a Bush “pioneer,” one of the Volunteer fundraisers who raised at least $100,000 for the campaign. President George W. Bush has indicated that, unlike President Bill Clinton, who vetoed it, he would approve a bankruptcy bill.

Personal responsibility clearly is an important societal value. People Should live up to their obligations, financial and otherwise. But credit card companies must accept their responsibility when they push credit on people who can't afford it. And representatives in Congress and our president ought to think about whom they 're responsible to—big donor bank executives, or the ordinary people who voted for them who might, one day, have a sick child like the Trapps, or lose a job, and need a fresh start.

ECONOMIC VIEW: UTILITY DEREGULATION: SQUARE PEG, ROUND HOLE?

New York Times
http://www.nytimes.com/2001/03/04/business/04VIEW.html

WASHINGTON -- In the forensic pursuit of what caused California's power failure, the Bush administration, the energy industry and many analysts have granted immunity to deregulation.

Robert Shapiro, a managing director of Enron, the giant electricity marketer, says the California mess should in no way affect deregulation in other states, "because California didn't really deregulate." Spencer Abraham, the new energy secretary, said Californians simply goofed, setting up a "dysfunctional" system. It is the way California deregulated, not deregulation itself, that should take the blame, they say.

Yet some economists argue that California's troubles should inform the debate about whether — not just how — to deregulate. Among them is Alfred E. Kahn, the Cornell University economist who helped oversee the creation of free markets in the rail, trucking and airline industries.

"I am worried about the uniqueness of electricity markets," Mr. Kahn said. He is still studying whether the design flaws in California's market explain the whole problem. But he is sounding a note of skepticism.

"I've always been uncertain about eliminating vertical integration," he said, referring to the old ways of allowing a single, heavily regulated power company to produce, transmit and distribute electricity. "It may be one industry in which it works reasonably well."

Mr. Kahn's comments might sound a little heretical. When this former Carter administration official was pushing deregulation, it was still a novel and politically risky concept. Today, getting government out of most businesses is part of the Washington economic canon.

Moreover, few people believe that California, the first state to overhaul its electricity sector from top to bottom, has proved a good laboratory. To satisfy interest groups, the markets were designed in an awkward way, which soured some deregulation experts on California before the first electron went on the auction block.

Among the quirks: The state required utilities to buy nearly all their power on daily spot markets, rather than arranging long- term contracts that might have allowed them to hedge risk. Consumer prices were also fixed, making it impossible for utilities to pass on higher wholesale costs.

Paul L. Joskow, an expert on electricity markets at the Massachusetts Institute of Technology and a former student of Mr. Kahn's, remains hopeful that the kinks can be ironed out.

In New England and the the Middle Atlantic states, as well in as Britain, Chile and Argentina, all places that have restructured electricity markets, regulators have had to adjust market rules to correct flaws. They have found ways to check the tendency of power sellers to exploit infant markets and charge high prices, Mr. Joskow said.

Regulators have also had to establish new markets that, through price signals, encourage power companies to build enough generating capacity so that they have reserves for peak hours. During peak hours, shortages and price spikes can substantially raise average prices.

"If they can do it in Britain, Chile and Argentina, then I think we can do it here," Mr. Joskow said.

Still, he warns that proper regulation requires tough political choices. Allowing high prices to pass through to consumers is one. Making sure Nimbyism does not prevent the construction of power plants is another.

"The political system must rise to the task," Mr. Joskow said, or the "old way might be the best we can do."

Mr. Kahn knows a bit about the old way. In the mid-1970's, he headed the New York Public Service Commission, which oversaw electricity and other regulated industries. The drawbacks were legendary. Local utilities had an endemic tendency to overestimate demand to justify new power plants, for which consumers paid through steady rate increases. Nearly everyone assumed that competition would slash prices.

But though free markets do a better job managing rail, phone and airline prices, they have yet to match regulators' ability to juggle the complexities of electricity, Mr. Kahn said.

Regulators tended to apply heavy political pressure on utilities to keep prices as low as possible and profit margins steady but thin. The vertical integration of electricity monopolies may have also had advantages, Mr. Kahn said. Engineers coordinated power plants and transmission lines in ideal ways. Planners who saw the need for new plants helped find a place for them to be built. "The players all depended on one another," he said.

California has probably not derailed deregulation efforts. But it has made people wonder anew whether market forces work for kilowatts as they do for widgets.

ELDER BUSH IN BIG G.O.P. CAST TOILING FOR TOP EQUITY FIRM

New York Times
http://www.nytimes.com/2001/03/05/politics/05CARL.html

WASHINGTON — During the presidential campaign last year, former President George Bush took time off from his son's race to call on Crown Prince Abdullah of Saudi Arabia at a luxurious desert compound outside Riyadh to talk about American-Saudi business affairs.

Mr. Bush went as an ambassador of sorts, but not for his government. In the same way, Mr. Bush's secretary of state, James A. Baker III, recently met with a group of wealthy people at the elegant Lanesborough Hotel in London to explain the Florida vote count.

Traveling with the fanfare of dignitaries, Mr. Bush and Mr. Baker were using their extensive government contacts to further their business interests as representatives of the Carlyle Group, a $12 billion private equity firm based in Washington that has parlayed a roster of former top-level government officials, largely from the Bush and Reagan administrations, into a moneymaking machine.

In a new spin on Washington's revolving door between business and government, where lobbying by former officials is restricted but soliciting investments is not, Carlyle has upped the ante and taken the practice global. Mr. Bush and Mr. Baker were accompanied on their trips by former Prime Minister John Major of Britain, another of Carlyle's political stars. With door-openers of this caliber, along with shrewd investment skills, Carlyle has gone from an unknown in the world of private equity to one of its biggest players. Private equity, which involves buying up companies in private deals and reselling them, is a high-end business open only to the very rich.

Over the last decade, the Carlyle empire has grown to span three continents and include investments in most corners of the world. It owns so many companies that it is now in effect one of the nation's biggest defense contractors and a force in global telecommunications. Its blue-chip investors include major banks and insurance companies, billion-dollar pension funds and wealthy investors from Abu Dhabi to

Singapore.

In getting business for Carlyle, Mr. Bush has been impressive. His meeting with the crown prince was followed by a yacht cruise and private dinners with Saudi officials, including King Fahd, all on behalf of Carlyle, which has extensive interests in the Middle East.

And Mr. Bush led Carlyle's successful entry into South Korea, the fastest-growing economy in Asia. After his meetings with the prime minister and other government and business leaders, Carlyle won a tough competition for control of KorAm, one of Korea's few healthy banks.

The steady flow of politicians to lucrative private-sector jobs based on their government contacts is a familiar Washington tale. But in this case, it is being played out for more dollars, on a global stage, and in the world of private finance, where the minimal government rules prohibiting lobbying by former officials for a given period are not a factor. These rules say nothing about potential conflicts when former government officials use their connections and insights for financial gain, and they may attract more notice now that George W. Bush is president. Many of those involved with Carlyle, which invests largely in companies that do business with the government or are affected by government regulations, have ties to the Oval Office.

For instance, Frank C. Carlucci, a Reagan secretary of defense who as much as anyone is responsible for Carlyle's success, said he met in February with his old college classmate Donald H. Rumsfeld, the secretary of defense, and Vice President Dick Cheney, himself a defense secretary under former President Bush, to talk about military matters — at a time when Carlyle has several billion-dollar defense projects under consideration.

Carlyle officials contend that the firm's activities do not present any potential conflicts since Mr. Bush, Mr. Baker and other former Republican officials now at Carlyle — including Mr. Carlucci, who is Carlyle's chairman, and Richard G. Darman, Mr. Bush's former budget director — do not lobby the federal government. Carlyle executives point out that many corporations have former government officials as board members.

"Mr. Bush gives us no advice on what do with with the federal government," said David Rubenstein, the firm's founder and a former aide in the Carter White House. "We've gone over backwards to make sure that we do no lobbying."

Others, however, see little difference between potential conflicts involving lobbying and those involving investments.

"Carlyle is as deeply wired into the current administration as they can possibly be," said Charles Lewis, executive director of the Center for Public Integrity, a nonprofit public interest group based in Washington. "George Bush is getting money from private interests that have business before the government, while his son is president. And, in a really peculiar way, George W. Bush could, some day, benefit financially from his own administration's decisions, through his father's investments. The average American doesn't know that and, to me, that's a jaw-dropper."

It is difficult to determine exactly how much money the senior Mr. Bush and Mr. Baker have made. Mr. Baker is a Carlyle partner, and Mr. Bush has the title senior adviser to its Asian activities. With a current market value of about $3.5 billion on Carlyle's equity and with the firm owned by 18 partners and one outside investor, Mr. Baker's Carlyle stake would be worth about $180 million if each partner held an equal stake. It is not known whether he has more or less than the other partners.

Unlike Mr. Baker, Mr. Bush has no ownership stake in Carlyle; he is an adviser and an investor and is compensated by obtaining stakes in Carlyle investments. Carlyle executives cited, for example, Mr. Bush's being allowed to put money he earns giving speeches for Carlyle into its investment funds. Mr. Bush generally receives $80,000 to $100,000 for a speech. He sits on no corporate boards other than Carlyle's.

Carlyle also gave the Bush family a hand in 1990 by putting George W. Bush, who was then struggling to find a career, on the board of a Carlyle subsidiary, Caterair, an airline-catering company.

From Carlyle's point of view, the involvement of Mr. Baker and the former president is invaluable.

"It punches up the brand awareness for us globally," said Daniel A. D'Aniello, a Carlyle managing director. "We are greatly assisted by Baker and Bush. It shows that we are associated with people of the highest ethical standards."

With $12 billion from investors, Carlyle claims to be the nation's largest private equity fund and makes money by investing in undervalued companies and reselling at a profit. These numbers put Carlyle in the same league as better-known private equity firms like Kohlberg Kravis Roberts & Company and Forstmann-Little & Company.

Two hundred forty Carlyle employees are stationed throughout the world either raising money or finding ways to spend it. Carlyle has ownership stakes in 164 companies, which last year employed more than 70,000 people and generated $16 billion in revenues. About 450 institutions — mainly large pension funds and banks — are Carlyle investors.

The California state pension fund invested $305 million with Carlyle, and the Texas teachers pension fund — whose board was appointed when George W. Bush was governor — gave Carlyle $100 million to invest in November. Carlyle also works as a financial adviser to the Saudi government.

"Let's say Carlyle is going fund- raising in the Middle East and they bring Bush along," said David Snow, editor of Private Equity Central, a trade publication. "He led the U.S. Army into that region. That will catch the attention of very wealthy investors in Saudi Arabia and Kuwait. The fact that Bush is involved doesn't mean that Carlyle will make great investment decisions. But it will get them access to certain deals and certain countries that they might otherwise not have."

One former Carlyle employee said, "The firm understands that having Bush and Major around is like having movie stars around."

Yet Carlyle's success is not just because of its high-powered connections. Carlyle has done well for its investors, returning an average of 34 percent a year over the last decade, in line with other private equity funds. It has done this by buying what it knows best — companies that are regulated by the government. Nearly two-thirds of its investments are in defense and telecommunications companies, which are affected by shifts in government spending and policy.

Carlyle has become the nation's 11th largest defense contractor, owning companies that make tanks, aircraft wings and a broad array of other military equipment. It also owns health care companies, real estate, Internet companies, a bottling company and even Le Figaro, the French newspaper.

"Carlyle is one of the most successful fund-raising groups," said Mario L. Giannini, president of Hamilton Lane, a Philadelphia consultant to institutional investors. "They have tremendous access and they have done very well with their money."

And its access extends well beyond American shores. In Europe, Carlyle has assembled an advisory board that besides Mr. Major includes Karl Otto Pöhl, former president of German's Bundesbank, and the past or present chairmen of B.M.W., Hoffman-LaRoche, Nestlé, LVMH-Moët Hennessy, Louis Vuitton and Aerospatiale, the French Airbus partner.

Carlyle's Asia advisory board, which helps raise money and finds and reviews deals, includes former President Fidel V. Ramos of the Philippines, the former prime minister of Thailand and the executive director of the Abu Dhabi Investment Authority. The former South Korean prime minister Park Tae Joon was also an adviser to Carlyle.

This star power is a source of great pride for Carlyle and part of an acknowledged long-term strategy to associate the firm with brand-name politicians and business executives in order to attract more of the same — along with their money, insights and connections. That said, Carlyle partners bristle at any suggestion that the firm's success is based only on high-powered schmoozing.

"If our track record was not good, people would not invest with us," said Mr. Rubenstein, the founding partner. "No one would gives us money just because Mr. Bush is one of our advisers."

On that point, others agree. "People took potshots at Carlyle early on and tried to denigrate their investment credentials because they had all these government officials over there," said Bernard Aronson, managing partner at ACON Investments, a private equity firm in Washington. "But that's sort of a myth. The all- hat-and-no-cattle has disappeared because they performed consistently, delivered excellent returns and have become global players."

One of the people who put Carlyle on the map — developing its riches and its image — is Mr. Carlucci, who joined the firm in 1989 when it had engaged in a string of ill-fated ventures. He is credited with steering Carlyle into successful defense industry acquisitions — just when other investors were shunning them — and with using his seat on more than a dozen corporate boards to bring Carlyle deals and investors.

In an office adorned with photographs of Mr. Carlucci and the politically mighty — he sits beneath an Oval Office picture of himself and Mr. Reagan — Mr. Carlucci makes it clear that his extensive government and global ties are as fresh as ever.

"I know Rumsfeld extremely well," Mr. Carlucci said in an interview. "We've been close friends throughout the years. We were college classmates."

Pointing to a picture of the Chinese president, he said, "There's a photo of me and Jiang Zemin. And there's me and the president of Taiwan."

Right now, Carlyle is hoping that financing is provided for the $13.7 billion Crusader program. The Crusader is a heavy-duty tank made by a Carlyle portfolio company and other contractors. And Carlyle just lodged a complaint with the government after another of its portfolio companies lost a $4 billion contract to build a lightweight combat vehicle.

While Mr. Carlucci is open about his discussions with Mr. Rumsfeld on Pentagon policies, he said he never lobbies. "I've made it clear that I don't lobby the defense industry," Mr. Carlucci said. "I will give our Carlyle bankers advice on what they might do and who they should talk to. But I do not pick up the phone and say you should fund X, Y or Z."

If Washington's revolving door brought Republicans to Carlyle during the Clinton presidency, now the firm is preparing for an onslaught of Democrats. The day these interviews took place at Carlyle's Washington office, Gene Sperling, one of the Clinton administration's top economic advisers, was in for a job interview.

DESPITE CONFLICT OF INTEREST QUESTIONS, TREASURY CHIEF WON'T SELL ALCOA STAKE

Wall Street Journal
http://interactive.wsj.com/articles/SB983747008992985217.htm

WASHINGTON -- Treasury Secretary Paul O'Neill, former chairman of Alcoa Inc., is retaining almost $100 million in Alcoa stock and options, downplaying concerns that he will face conflicts of interest.

Mr. O'Neill instead will avoid participating in government decisions that could affect the company's interests.

Peter Eisner, managing director of the Center for Public Integrity, a nonpartisan watchdog group, pointed out that Vice President Dick Cheney decided to sell stock options at Halliburton Inc., at which he was chief executive. Mr. Eisner suggested Mr. O'Neill should do the same with his interests.

Former Treasury Secretary Robert Rubin took pains to sever his ties to Goldman Sachs & Co., where had been co-CEO. For his stake in what was then a partnership, he received Goldman Sachs notes. He then arranged to insure the notes with a third party so that he had no financial interest in whether Goldman could pay the interest and principal on the notes.

But Mr. O'Neill said on NBC's "Meet the Press" that he "can't imagine that as Treasury secretary I'm going to have decisions come before me that have anything to do with this." His arrangement has been approved by government ethics lawyers, he added. "As long as the ethics lawyers are OK, I'm going to be happy," he said. He is selling his holdings in some financial-services companies. His decision to retain his Alcoa holdings was reported by Bloomberg News.

AMERICA CLUSTER BOMBS IRAQ

Washington Post
http://washingtonpost.com/ac2/wp-dyn/A46524-2001Feb23

News media reports last week that 50 percent of the weapons fired at Iraqi military installations missed their so-called aimpoints obscures a more disturbing facet of the Feb. 16 attack: The U.S. jets used cluster bombs that have no real aimpoint and that kill and wound innocent civilians for years to come.

This is not merely some insider detail. The choice of cluster bombs, still unnoticed by the American media, is likely to prove controversial. The weapon that was used in Iraq is formally known as Joint Stand-off Weapon (JSOW,pronounced jay-sow). It was first used in combat in Iraq on January 25, 1999, when Marine Corps F-18 Hornet's fired three weapons at an air defense site.

The missile is described by the Navy, its primary developer, and Raytheon Systems, its manufacturer, as a long-range glide bomb. Acting Pentagon spokesman, Navy Rear Admiral Crag Quigley primly calls it an "area munition," doggedly avoiding the scattershot reality conveyed by the term “cluster bomb.”

Weapon of Choice
Twenty eight JSOWs were fired by Navy aircraft in the in the Feb. 16 attack, along with guided missiles and laser-guided bombs. Pentagon sources say that 26 of the 28 JSOWs missed their aimpoints.

The 1,000 pound, 14-foot-long weapon carries 145 anti-armor and anti-personnel incendiary bomblets which disperse over an area that is approximately 100 feet long and 200 feet wide. In short, this weapon, which Quigley describes as a "long-range, precision-guided, stand-off weapon," rains down deadly bomblets on an area the size of a football field with six bombs falling in every 1,000 square feet. So much for precision.

The JSOW has quickly become a top weapon of choice for Navy and Marine Corps airplanes in the no fly zone mission for at least four reasons. It has as a range of more than 40 nautical miles when delivered from high altitude (20,000 feet about ground level). The dispersal of bomblets inflicts more lasting damage than a small warhead on an anti-radiation missile. Pilots can reprogram target coordinates right up to the moment of launch. And because the JSOW is guided by satellite, the delivering aircraft can "launch and leave.”

"With JSOW we can attack SAMs [surface-to-air missiles] from well outside the threat rings and destroy rather than suppress" the target, a Navy document notes. In other words, years of bombing in Iraq have had less than spectacular results of Iraq's air defenses and the U.S. military is looking for some way of causing more permanent damage to the country's military capabilities.

Launch and Leave
Pilots may launch and leave, but the JSOW, like other cluster bombs, is unforgiving once aircraft deliver them. The JSOW releases its sub-munitions about 400 feet above its target. These bomblets are also used in the most prevalent modern U.S. cluster bomb, the CBU-87. But unlike the CBU-87, the JSOW does not spin to disperse its bomblets. Rather the JSOW uses a gasbag to propel the sub-munitions outward from the sides. Once ejected, the bomblets, each the size of soda can, simply fall freely at the mercy of local winds. A few almost always land outside of the center point of the football field size main concentration. On average 5 percent do not detonate. These unexploded bomblets then become highly volatile on the ground.

Recently, U.S. Air Force engineers in Kuwait found an entire unexploded CBU-87 at an airbase that had been attacked during the Gulf War. The weapon had apparently malfunctioned and ripped open upon impact, burying bomblets up to six feet deep in the vicinity. To destroy them in place, a series of 10-foot high barriers had to be built inside a 700-foot wide safety cordon.

Already this month, there has been one Iraqi civilian death and nine injuries from unexploded cluster bomblets, presumably all left over from the 1991 Gulf War. On Feb. 20, Agence France Press (AFP) reported that a shepherd was wounded near Nasiriyah in southern Iraq when an unexploded bomblet detonated. On Feb. 15, Reuters said two Iraqi boys in western Iraq, also tending sheep, were injured by a cluster bomblet. On Feb. 9, AFP reported a child was killed and six others were wounded by sub-munitions near Basra.

February, it seems, is a fairly typical month for cluster bombs inflicting damage on innocent civilians.

A Degrading Policy
"What we have to do is make sure we continue to tell the world that we are not after the Iraqi people," Secretary of State Colin Powell told CNN on Feb. 12. That is a tough task given the use of a weapon which has unique civilian impact.

Saddam Hussein relishes the cat and mouse game in and around the "no-fly" zones, almost welcoming bombing and civilian casualties if they will contribute to Baghdad's strategy of breaking the international consensus on sanctions and inspections. The use of cluster bombs against minor out-of-the-way targets, far from doing anything to “degrade his capacity to harm our pilots,” as President Bush said at his Feb. 22 press conference, actually helps Iraq to achieve its foreign policy goals.

"We think we've accomplished what we were looking for in the sense to degrade, disrupt the ability of the Iraqi air defenses to coordinate attacks against our aircraft," Marine Corps Lt. Gen. Gregory Newbold, director of operations for the Joint Chiefs of Staff said at the Pentagon on the day of the strikes.

The vague objective "to degrade" is straight out of the go-nowhere Clinton playbook. We bomb, and even if virtually all of the JSOWs miss their aimpoints, the United States proclaims: "mission accomplished." After all, some level of degrading of Iraqi capabilities occurred.

I give the use of cluster bombs a D grade.

CUTTING A RIGHTWARD PATH

New York Times
http://www.nytimes.com/2001/03/04/weekinreview/04TONE.html

WASHINGTON -- As President Bush sent his budget blueprint to Capitol Hill last week, he offered an exquisitely calibrated view of government that seemed just slightly to the right of President Clinton's "third way": "Government should be active, but limited, engaged, but not overbearing." Just the right size for a public that consistently shows mistrust of "government" but strong support for individual government programs. A careful middle ground.

Then why are so many conservatives so happy — and liberals so despairing? Because, both sides believe, Mr. Bush's neo-Clintonian formulations mask a major shift in the vision of government and a new stage in a philosophic debate that has raged across two generations. Mr. Bush's proposed $1.6 trillion tax cut, combined with his leaner budget and his proposals to remake Social Security and Medicare, could begin to turn the battleship of the federal government in a direction conservative Republicans have wanted for a long time.

It would, they believe, revive and retrofit the Reagan revolution — by putting new spending constraints on the federal government with the tax cut; by ceding more responsibilities to state and local governments and religious institutions; and by transforming two great monuments of the New Deal and the Great Society, with partial privatizing of Social Security and Medicare.

"I personally love this president," said Paul M. Weyrich, a longtime conservative activist. Grover G. Norquist, head of Americans for Tax Reform, a conservative group, said Mr. Bush's tax cut, the biggest since 1981, would limit government in important, lasting ways. "If you don't take that money off the table, they will spend it in Washington," he said. "Everybody understands that's the fight. The left understands it."

The old stereotypes of free-spending, big-government Democrats and tax-cutting, government-off-our backs Republicans were oversimplified, particularly in the Clinton era, when Democrats embraced the cause of fiscal responsibility and balanced budgets — thanks, in part, to some powerful pushing from a Republican Congress. It is true, though, that Congressional Republicans are hardly immune to the joys of spending money. Meanwhile, last week Mr. Bush sounded at times as if he were channeling Hubert H. Humphrey. Proudly pointing to his new spending initiatives in education and medical research, he declared, "A budget's impact is counted in dollars, but measured in lives."

Yet, even now, when so much of politics seems a centrist muddle, there are enduring differences between the parties on the role the federal government should play on a range of domestic issues.

Consider health care: Democratic voters are still far more likely than Republicans to believe the federal government should do something major to cover the uninsured and to add a prescription drug benefit to the Medicare program, according to a new study by researchers at Harvard and the Kaiser Family Foundation. On Capitol Hill, Democrats tend to lead the charge to protect traditional Medicare. Republicans tend to want to inject more competition, consumer choice and market forces into what they insist is a creaky bureaucracy.

Such divisions have dominated the politics of the past 10 years, with each side overreaching at times — Mr. Clinton's bid to reorganize the private health insurance industry in 1993 and 1994, for example, and Speaker Newt Gingrich's bid to pare Medicare in 1995. Both engendered a backlash in the next election.

Mr. Bush and his advisers clearly learned from this; as many analysts noted last week, he neither calls for hard choices nor uses tough language in his speeches. A group of voters assembled by Democratic pollsters to watch the speech "had no sense at all that he was posing a philosophical choice about the role of government," said one pollster, Geoffrey Garin. "What people interpreted Bush as saying was that the surplus was so large that they can have it all," he said, "and, in fact, it was a point that made some people nervous."

BUT there is a real choice posed by the Bush tax cut and the reconfigurations it will require in the rest of the budget. Democrats and their allies assert there simply isn't enough money to pay for Mr. Bush's tax proposals, protect the Medicare surplus, add a meaningful prescription drug benefit for Medicare and finance the rest of his initiatives, even with the slowdown he proposes in other government spending.

Mitchell E. Daniels Jr., the director of the Office of Management and Budget, obviously disagrees, insisting: "There is not `more than enough room' for the president's relief plan. There is vastly more than enough room." But Democrats argue that the "reserve" fund at the heart of this have-it-all argument is "oversubscribed," meaning the government will ultimately face hard choices, including returning to deficits or deep cuts in spending.

Until now, voters took a fairly tempered view of a tax cut. A survey by the Pew Research Center for the People and the Press, conducted between Feb. 14 and Feb. 19, found that when voters are offered a list of possible uses for the money, the idea of tapping the budget surplus for a major tax cut is only slightly more popular than a year ago. Thirty-seven percent said the surplus should shore up Medicare and Social Security, compared with 19 percent who preferred a tax cut. A Washington Post-ABC Poll, released just before Mr. Bush's speech, found a similar result.

Support for a tax cut is higher when voters are not asked to rank priorities. For example, a CNN/ USA Today Poll asked, "Do you favor or oppose the federal income tax cuts President Bush has proposed?" Sixty-eight percent said they favored them before the speech; 79 percent favored them after. Still, Stanley B. Greenberg, who polled for Vice President Al Gore's campaign, cited the earlier trend, asserting: "There's something that's holding people back. I think they still think it's not quite the right thing to do." Democrats clearly intend to appeal to those doubts, while Republicans argue the tax cut is a win-win proposition.

In fact, liberals argue that the question of priorities is fundamental. Robert Greenstein, head of the Center on Budget and Policy Priorities, a liberal research group, rattled off a list of problems last week — long-term care for the elderly, the 43 million Americans who lack health insurance, lack of drug coverage for the elderly, the long-term financing problems of Social Security and Medicare — and argued the surplus was a once-in-a-generation opportunity to address them.

"There's a half-dozen problems we could make real progress on, and this budget says that's not the route we want to go," he said.

But John F. Cogan, a senior fellow at Stanford's Hoover Institution, who worked in the Reagan administration and now advises Mr. Bush on economic and budget matters, sees government expansionism as a risk, not an opportunity. "These surpluses are a great opportunity for the country, but they also present a danger," he said. "The danger is they will be used to expand the size and scope of government."

Not even many Democrats make a strong case for big new government spending initiatives now. On an issue like the uninsured, Theda Skocpol, a professor of government and sociology at Harvard, said: "Ten years ago we were saying, `Gee, we'd like to do it if we could afford it.' We don't even mention that anymore. I don't think that's Bush and the Republicans alone. The whole discourse has shifted."

CONSERVATIVES argue that, indeed, the country has changed. "What would have been considered 10 or 20 years ago radical conservative positions — consumer choice in Medicare and education, Social Security that's defined contribution rather than defined benefits —— are now consensus positions of the center-right coalition, and 70 percent of the public is reasonably comfortable with them," said Mr. Norquist.

"Bush understands that the country is to the right of where his father thought it was," he added. Even so, there is still criticism in some conservative quarters that Mr. Bush's tax cut is not big enough.

Yet Democrats are not completely in despair, remembering how formidable Mr. Clinton looked in 1993, when he urged Congress to pass universal health insurance. They say Mr. Bush is only beginning a process that will require him to spell out the details and trade-offs of his plan, and thus test its true appeal. The lessons of the last 10 years suggest that voters, with all their conflicting views about government, will eventually listen closely.

GIPPER MEETS 'SURVIVOR' AS G.E.'S IMAGE HARDENS

New York Times
http://www.nytimes.com/2001/03/04/nyregion/04GENE.html

One of the more upbeat theories of postmodern capitalism is that nice companies will eventually finish first. In a market of instant information, where perception and image are increasingly linked to stock prices, investors will reward the environmentally green and the socially conscious because such companies have fewer potential liabilities, or so the thinking goes.

But the nice-guy theory is getting a major test in upstate New York, where General Electric is waging a vehement, line-in-the- sand battle against dredging the Hudson River to remove the PCB's that its factories leaked or dumped into the water in the decades after World War II.

Environmentalists, economists and stock market experts say that as the company has poured tens of millions of dollars into a campaign of television infomercials, billboards and lobbying over the last year, an argument about the future of the river has increasingly mutated into an argument about G.E. itself. The messenger has become the message. Whether the federal Environmental Protection Agency's proposed $460 million dredging plan to remove the river's pollution at G.E.'s expense is the right scientific answer has become a battle instead over which side to trust.

And that in turn presents a whole series of questions, not only for the local residents who are being bombarded with sound-bites about E.P.A. high-handedness and river hydrology, but for the legions of investors who for years on end have worshiped the company and its chief executive, John F. Welch Jr. Last month, G.E. was declared the most admired corporation in the world for the fourth year in a row by Fortune magazine.

Is there a point at which G.E.'s Hudson strategy backfires and becomes an environmental liability? Is G.E.'s dismissive tone about the federal government a mark of arrogance, as critics suggest, or the righteousness of a just cause in the face of a dictatorial federal bureaucracy, as company officials claim?

Perhaps most crucially, what does the campaign say about its intended audience? What, in the end, do Americans really admire — the stand-up citizen who admits responsibility and takes a poke in the eye, or the win-at- any-cost competitor? Do people want the most decent person in the Australian outback to win a million dollars, or the most cunning?

Some experts on corporate behavior and the environment say the most revealing thing about the Hudson- G.E. fight is that it could occur at all.

"It's a testament to how much times have changed that a company can even float a campaign like this," said Andrew J. Hoffman, a professor of management at Boston University who has studied the frontier of business and the environment. In the early days of environmental regulation, Professor Hoffman said, corporate public relations efforts mostly focused on damage control — like Exxon's strategy after the Valdez oil spill or Union Carbide's after the chemical disaster in Bhopal, India.

A proactive campaign like G.E.'s, charging that the environmental regulators are simply wrong, incompetent or politically motivated, shows not only how much more complex environmental issues have become, he said, but also how much the power bases have shifted. Fewer people believe the government has all the answers, and corporations have charged in to fill the gap.

General Electric used polychlorinated biphenyls for nearly three decades at two factories in the towns of Hudson Falls and Fort Edward. An estimated 1.3 million pounds of PCB's, oily chemicals that were later linked to cancer in humans and various problems in wildlife, leaked or were discharged into the river. Most of it is gone, E.P.A. officials say — absorbed into the tissues of fish, animals and people, or washed out to sea. The government's plan, announced in December, would try to recover about 100,000 pounds of PCB's from the most polluted hot spots along a 40-mile stretch north of Albany.

The company's counterattack to dredging — on which it has spent by some estimates $60 million or more over the last year in the Albany media market alone — is stark and stylistically striking. The G.E. spokesmen are invariably tieless and looking relaxed, often before an inviting river backdrop. Everyone looks windblown and outdoorsy — at home in the natural world.

Film clips of E.P.A. officials, by contrast, especially the former administrator, Carol M. Browner, show her standing awkwardly at a lectern, with the clear suggestion that she is a woman of the indoors — or worse, a Washington insider. Harsh, metallic background music that sounds like something from the movie "Hannibal" surges up whenever a clip is shown of an E.P.A. dredging site. Even city buses in Albany now carry anti-dredging billboards.

General Electric's vice president for corporate communications, Beth Comstock, said that G.E.'s strategy was simply to educate. The company's scientific inquiries have shown the E.P.A.'s dredging plan to be ill conceived and potentially disastrous for the Hudson's ecosystem and the local economy, Ms. Comstock said, and G.E. has an obligation to make sure residents are informed of that. Under the E.P.A.'s rules, the government must consider local opinion in the area of any proposed environmental remediation — a comment period that in the Hudson case runs through mid-April.

The fight is not about saving the company half a billion dollars, Ms. Comstock said. "The easiest thing in the world would be for G.E. to write a check, but that's not what this is about; it's about finding the right answer for the river. People admire G.E. because we're willing to fight for what we believe in."

Stock market analysts say that for now G.E. seems to be suffering not at all for its defiance.

"Those appreciative of G.E. tend to be appreciative of Jack Welch's hard-charging style," said James N. Kelleher, a senior analyst at Argus Research in New York. "G.E.'s aggressive brand of capitalism and unwillingness to kowtow to environmentalists may not be winning them any enemies in the investment community, and may be winning them some adherents."

But there are also some subtle indications that what had been a kind of fire wall within G.E.'s image — investors cheering on one side, environmentalists booing on the other — may be eroding a little. Last year, a resolution put to the company's shareholders by a coalition of religious groups asking G.E. to give a full report of how much it was spending on media and lobbying drew more than 8 percent of all votes cast. That was nearly three times the number needed to keep the resolution alive for presentation a second year. And in February, a column in Fortune magazine — in the same issue crowning the company as most admired — forcefully called on G.E. to "just do it," and announce a cleanup of the river.

Sociologists and other researchers who study corporate behavior say that G.E. has long been a mirror for American society, because so much of its culture has been bound up in the presentation and cultivation of its own image. In the 1950's, for example, when Ronald Reagan became G.E.'s front man and "General Electric Theater" was the company's national television platform, G.E. was paternal and competent, an unflappable commander just back from the war, said Peter D. Kinder, the president of Kinder, Lydenberg, Domini & Company, a Boston-based firm that does social research for institutional investors. But beginning in the 1980's and 1990's, he added, a different ethos emerged in America, and at General Electric.

"Now they're tough in all the areas it's fashionable to be tough in," Mr. Kinder said. And while he stressed that G.E. failed most of his tests to qualify as a socially responsible investment, he confessed to a certain admiration for its "They're brilliant," he said.

Some experts on science and economics say that part of the backdrop of G.E.'s fight is that environmentalism itself has changed. The anti-establishment, anti-business youth culture groups that put together the first Earth Day in 1970 have in many cases become powerful and well-financed environmental lobbying organizations. Many corporations, meanwhile, have seen that environmentalism can be good for business, and have actively marketed themselves as ecologically correct pillars of hardheaded real world expertise.

Instead of passively embracing the values of environmentalism, some business researchers say, companies are redefining what it means to be green at all. In the same way that many once-radical environmentalists of the street were tamed, so too were anti-environmentalists of the boardroom.

What has not changed, at least at the E.P.A., is the idea that rational science will carry the day. The agency's mission on the Hudson, a spokeswoman said, is not to manipulate public opinion, or use emotion on the river's behalf, but rather to put forward the best evidence available and trust in the intelligence of the public.

"We are not out there to sell this like a can of soup," said Ann C. Rychlenski, a spokeswoman for the agency.